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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5615-N-01]

Mortgagee Review Board: Administrative Actions

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, Department of Housing and Urban Development (HUD).

ACTION: Notice.

SUMMARY: In compliance with Section 202(c) (5) of the National Housing Act, this notice advises of the cause and description of administrative actions taken by HUD’s Mortgagee Review Board against HUD-approved mortgagees.

FOR FURTHER INFORMATION CONTACT: Nancy A. Murray, Secretary to the Mortgagee Review Board, 451 Seventh Street SW, Room B-133/3150, Washington, DC, 20410-8000; telephone 202-708-2224 (this is not a toll-free number). Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Relay Service at 800-877-8339.

SUPPLEMENTARY INFORMATION: Section 202(c) (5) of the National Housing Act (12 U.S.C. 1708(c) (5)), requires that HUD “publish in the Federal Register a description of and the cause for administrative action against a [HUD-approved] mortgagee” by the Department’s Mortgagee Review Board (“Board”). In compliance with the requirements of Section 202(c) (5), this notice advises of actions that have been taken by the Board from February 14, 2011, to July 20, 2011.

I. Settlement Agreements, Civil Money Penalties, Withdrawals of FHA Approval,

Suspensions, Probations, Reprimands, and Administrative Payments.

1. *Action Mortgage Corporation, Cranston, RI [Docket No. 10-1855-MR]*

Action: On June 15, 2011, the Board issued a Notice of Administrative Action permanently withdrawing the FHA approval of Action Mortgage Corporation (“AMC”).

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: AMC entered into an agreement with HUD on August 5, 2010, to resolve violations of HUD/FHA requirements regarding its use of the official HUD seal on its website. AMC agreed to pay a civil monetary penalty. AMC failed to remit the entire amount owed to HUD pursuant to the settlement agreement.

2. *Allen Mortgage LC, Centennial Park, AZ [Docket No. 11-1152-MR]*

Action: On September 14, 2011, the Board entered into a Settlement Agreement with Allen Mortgage, LC (“Allen”) that required Allen to pay a civil money penalty in the amount of \$12,500, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: Allen failed to notify the Department that Allen, its principals, and its originators had entered into a consent order with the state of Washington that required the payment of an \$11,000 fine for originating mortgages in the state without originator licenses; failed to notify the Department that it entered into a consent order with the state of Arkansas, which required the payment of a \$1,500 penalty for failing to file its annual report; and falsely certified on its 2010 Yearly Verification Report that it had not been involved in a state proceeding that resulted in adverse action and had not relinquished a license in any jurisdiction in which it originates or services FHA-insured mortgages.

3. *AmericaHomeKey, Inc., Dallas, TX [Docket No. 11-1156-MR]*

Action: On June 15, 2011, the Board entered into a Settlement Agreement with AmericaHomeKey, Inc. (“AHK”) that required AHK to pay a civil money penalty in the amount of \$138,900, without admitting fault or liability.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: AHK failed to timely remit upfront mortgage insurance premiums to HUD/FHA.

4. Branch Bank and Trust Company, Wilson, NC [Docket No. 10-2000-MR]

Action: On June 10, 2011, the Board entered into a Settlement Agreement with Branch Bank and Trust Company (“BB&T”) that required BB&T to pay a civil money penalty in the amount of \$215,000, without admitting fault or liability, and to remit outstanding MIPs and late fees owed by BB&T and/or its subsidiary, Liberty Mortgage Corporation.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: BB&T and its subsidiary, Liberty Mortgage Corp., failed to timely remit mortgage insurance premiums to HUD/FHA, and failed to notify HUD/FHA within 15 days of the termination of contracts of mortgage insurance.

5. Cornerstone Mortgage Company, Houston, TX [Docket No. 10-1995-MR]

Action: On March 1, 2011, the Board entered into a Settlement Agreement with Cornerstone Mortgage Company (“Cornerstone”) that required Cornerstone to pay a civil money penalty in the amount of \$7,500, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: Cornerstone failed to timely remit mortgage insurance premiums to HUD.

6. First American Mortgage Trust, Brookline, MA [Docket No. 10-1960-MR]

Action: On April 7, 2011, the Board entered into a Settlement Agreement with First American Mortgage Trust (“FAMT”) that required FAMT to indemnify the Department for losses on five loans; refund \$9,368.38 in impermissible fees charged to borrowers; and pay a civil money penalty in the amount of \$72,500, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: FAMT failed to implement an adequate Quality Control (“QC”) Plan during the years 2006, 2007, 2008 and 2009; failed to report to the Department serious deficiencies and patterns of noncompliance in twenty loans that FAMT discovered during QC reviews; approved loans that did not meet FHA’s minimum credit requirements; approved a loan with a total fixed payment-to-income ratio that exceeded FHA benchmarks without significant compensating factors and without documentation sufficient to support those factors; failed to properly calculate the income used to qualify the borrowers in two loans; failed to ensure that parties were not charged fees that were excessive or unreasonable for the services provided; and failed to provide adequate documentation to support the excessive interest rate and discount points charged to borrowers.

7. First Guaranty Mortgage Corporation, McLean, VA [Docket No. 10-2019-MR]

Action: On April 14, 2011, the Board entered into a Settlement Agreement with First Guaranty Mortgage Corporation (“FGMC”) that required FGMC to indemnify the Department for its existing and future losses on twenty-one loans, including losses totaling \$91,008.12; refund \$17,702.25 in improper fees charged to borrowers; and pay a civil money penalty in the amount of \$127,500, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: FGMC approved 30 FHA-insured mortgage loans for

borrowers who did not meet HUD/FHA's minimum credit requirements; approved four loans with debt-to-income ratios that exceed HUD's benchmarks without documentation of significant compensating factors; failed to adequately document the source of gift funds used to close a loan; failed to ensure that a credit qualification on a streamline refinance loan transaction was completed as required; permitted loan correspondents to be improperly compensated with mortgage broker fees; failed to ensure that commitment fees were properly charged in accordance with HUD requirements; and failed to conduct pre-insurance reviews or ensure the accuracy of data submitted to HUD through FHA Connection, as required by HUD'S Lender Insurance Program.

8. *Gateway Funding Diversified Mortgage Services, LP, Horsham, PA*

[Docket No. 11-1150-MR]

Action: On June 15, 2011, the Board entered into a Settlement Agreement with Gateway Funding Diversified Mortgage Services, LP ("GFDMS") that required GFDMS to pay a civil money penalty in the amount of \$16,950, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: GFDMS failed to timely remit upfront mortgage insurance premiums to HUD.

9. *James B. Nutter & Company, Kansas City, MO [Docket No. 11-1158-MR]*

Action: On June 23, 2011, the Board entered into a Settlement Agreement with James B. Nutter & Company ("JBN") that required JBN to pay a civil money penalty in the amount of \$19,000, without admitting fault or liability.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: JBN failed to timely remit upfront mortgage insurance

premiums to HUD.

10. MCS Mortgage Bankers, Inc., Patchogue, New York [Docket No. 11-1154-MR]

Action: On July 20, 2011, the Board entered into a Settlement Agreement with MCS Mortgage Bankers, Inc. (“MCS”) that required MCS to pay a civil money penalty in the amount of \$23,500 and indemnify HUD/FHA for any losses incurred on three HUD/FHA-insured loans, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: MCS disseminated a misrepresentative advertisement to the public; failed to properly analyze borrowers’ credit in connection with two HUD/FHA-insured mortgage loans; failed to resolve inconsistencies and/or discrepancies when originating and/or underwriting a HUD/FHA-insured mortgage loan; failed to ensure compliance with HUD’s 203(k) program by failing to demonstrate that the completed construction would meet FHA’s minimum property standards and/or comply with the local building code; originated a HUD/FHA 203(k) mortgage on an ineligible property; accepted and closed loans that were originated by individuals who were not exclusively employed by MCS; and failed to properly verify rental income by obtaining the required tax documentation.

11. Peoples Home Equity Inc., Brentwood, TN [Docket No. 10-2016-MR]

Action: On March 25, 2011, the Board entered into a Settlement Agreement with Peoples Home Equity Inc. (“Peoples Home”) that required Peoples Home to buy down the principal balance of a loan in the amount of \$2,868; indemnify the Department on this loan for a period of five years; and pay a civil money penalty in the amount of \$7,500, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: Peoples Home failed to comply with HUD/FHA's rules prohibiting property flipping; failed to ensure that the borrowers made the required minimum investment in the property; originated a loan that exceeded the maximum insured mortgage amount; and charged an impermissible tax service fee.

12. PHH Mortgage Corporation, Mount Laurel, NJ [Docket No. 10-1997-MR]

Action: On April 14, 2011, the Board entered into a Settlement Agreement with PHH Mortgage Corp. ("PHH") that required PHH to pay a civil money penalty in the amount of \$256,000, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: PHH failed to timely remit mortgage insurance premiums to HUD/FHA, and failed to notify HUD/FHA within 15 calendar days of the termination of mortgage insurance contracts.

13. Priority Bank, Ozark, AR [Docket No. 10-1795-MR]

Action: On February 14, 2011, the Board entered into a Settlement Agreement with Priority Bank that required Priority Bank to pay a civil money penalty in the amount of \$50,000, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: Priority Bank failed to maintain and implement a Quality Control Plan in accordance with HUD/FHA's requirements, and paid compensation in the form of commissions to an employee performing underwriting activities.

14. ResMac, Inc., Sunrise, FL [Docket No. 11-1126-MR]

Action: On April 15, 2011, the Board entered into a Settlement Agreement with ResMac,

Inc. (“ResMac”) that required ResMac to pay a civil money penalty in the amount of \$50,000, without admitting fault or liability. In addition, ResMac was required to submit to HUD restated financial statements for fiscal year ended December 31, 2009, in which ResMac reclassified the net book value of all intangible assets.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: ResMac misrepresented the identity of its president on its January 2, 2009, application for FHA approval; failed to timely notify HUD of a state regulatory sanction imposed upon its president; and failed to submit an acceptable Independent Public Accountant’s Computation of Adjusted Net Worth for the end of fiscal year 2009.

15. *Universal Lending Corporation, Denver, CO [Docket No. 10-2003-MR]*

Action: On April 14, 2011, the Board entered into a Settlement Agreement with Universal Lending Corporation (“Universal”) that required Universal to: indemnify HUD for any future losses on six FHA-insured mortgage loans; reimburse HUD for losses in the amount of \$496,727.53 for mortgage insurance claims paid by HUD; and pay a civil money penalty in the amount of \$45,500, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: Universal improperly entered incorrect information as “cash reserves” into HUD’s automated underwriting system in order to receive approvals for seven loans; failed to adequately document the stability of borrowers’ employment or income and failed to adequately document other income used to qualify borrowers; failed to consider mortgage payment debt and liabilities when underwriting and approving FHA-insured loans; failed to adequately document the source of gift funds for one loan; and failed to obtain

confirmation concerning cash saved at home with regard to two other loans.

II. Lenders that Failed to Timely Meet Requirements for Annual Recertification of HUD/FHA Approval and Have Cured.

Action: The Board entered into settlement agreements with each of the lenders listed below requiring each of the lenders to pay \$3,500 in civil money penalties, without admitting fault or liability.

Cause: The Board took this action because the lenders failed to timely comply with HUD's annual recertification requirements, but subsequently came into compliance.

1. American Homestar Mortgage, LLC, League City, TX [*Docket No. 11-1196-MR*]
2. Merrill Lynch Mortgage Lending, Inc., New York, NY [*Docket No. 11-1138-MRT*]
3. Southpoint Financial Services, Inc., Alpharetta, GA [*Docket No. 11-1197-MR*]
4. United Bank, Charleston, WV [*Docket No. 11-1141-MRT*]
5. Wendover Financial Services Corporation, Chesterbrook, PA [*Docket No. 11-1198-MR*]
6. World Alliance Financial Corp., Melville, NY [*Docket No. 11-1143-MRT*]

Date: February 16, 2012

Carol J. Galante, Acting Assistant Secretary
for Housing—Federal Housing Commissioner

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